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Chicago Rehab Network
Analysis of the DOH Quarterly Report
4th Quarter, 2006
Presented March 6, 2007

Introduction

We are pleased to present our analysis of the Department of Housing's 4th Quarterly report for 2006. We are now in the second half of the city's third Five-Year Affordable Housing Plan and as we review DOH's end of year summary, we are reminded of the scope and breadth of the department's work and wide range of activities throughout Chicago. This past year, we are encouraged with DOH's use of TIF funds for the creation of multi-family housing. Moreover, we commend the department for its involvement in the preservation of affordable rental housing especially in the past quarter.

In recent years, development in the city of Chicago has been driven by a quest to truly become a destination city of world class interest. The primacy of development is clear and with that brings concerns by the citizens of Chicago about affordability. The recent elections proved that development is on the forefront among the key issues raised in almost every ward. Yet, the results last week—runoffs in several wards where concerns about development and affordability are apparent—also proved that these issues are of the utmost consequence if Chicago is to remain a city of neighborhoods.

New Unit Production: January 2006 - December 2006

Production Overview and Analysis

At the end of 2006, DOH assisted in the production of 4,926 new multi-family units, 1,264 single family units, and improved 2,340 units of housing. The surge of activity in the last quarter led DOH to reach 136.52% of its commitment goals and 112.53% of unit goals for 2006.

CRN's tabulation of new multi-family units subtracting rental subsidy, site improvements, and heat receivership units is illustrated in the chart below. New multi-family units for 2006 total 4,926 units.

Table 1. Production Overview- January 1, 2006 –December 31, 2006

	0-15%	16-30%	31-50%	51-60%	60-80%	81-100%	101+%	YTD Total
Multi-Family*	2,267	1,281	2,991	1563	369	25	2	**8,498**
Less Rental Subsidy Units	*-1,301*	*-856*						**-2,157**
Less Site Improvements and Heat Receivership Units	*-304*	*-213*	*-450*	*-227*	*-180*	*-31*	*-10*	**-1,415**
Net MF New Units**	**662**	**212**	**2,541**	**1,336**	**189**	**-6**	**-8**	**4,926**
Single Family less Multiple Benefits***		15	56	42	43	660	448	**1,264**
Home Improvement	132	617	839	190	307	193	62	**2,340**

*Net Multi Family units after subtracting units receiving multiple benefits
**These are new Multi Family units created through DOH programs not counting units assisted by the Low-Income Housing Trust Fund which are renewed every year, and units assisted by Site Improvements and Code Enforcement Programs.
***Total in DOH report is 1,697 which include units from Troubled Buildings Initiative in which income levels have not yet been determined.

	Total Anticipated Funds	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	YTD	% of Goal
Multi Family	$257,830,005	$54,640,151	$47,202,983	$47,071,711	$186,418,074	$335,332,919	130.06%
Single Family*	$104,922,900	$25,671,675	$44,224,792	$50,184,177	$53,863,391	$173,944,035	165.78%
Home Improvement	$21,989,682	$3,870,645	$5,527,885	$4,660,190	$3,937,039	$17,995,759	81.84%

*Total anticipated fund was adjusted to reflect a decrease of $2 million projected funds for New Homes for Chicago. The funds were supposed to come from Downtown Density Bonus proceeds but now will not be available until 2007.

In the report narrative, DOH states that it supported construction and rehab of 2,300 multi-family units in 2006. How did DOH come to this total? Are these mistakes in the narrative?

Troubled Buildings Initiative
We recognize that the unit counts for Single Family programs included units in the Troubled Buildings Initiative where income levels have not yet been determined. This brings up a question we have about the rate of conversion of rental housing placed in the TBI program into homeownership units. What is the likelihood of these types of occurrences? And how many units of troubled rental housing have been converted into single family units?

City Mortgage
The successes of the Cavalcade of Homes and other DOH homeownership initiatives have certainly showed through the level of activity of the City Mortgage program. We are concerned, however, that 188 of the total 534 units assisted with City Mortgage are serving households at 101% and above the area median income which is $75,400 for a family of four.

Low-Income Housing Tax Credits
$81 million in Tax Credit Equity was allocated for just the Fourth Quarter alone exceeding the yearly commitment of $80 million. A similar pattern is seen with the Donations Tax Credit. How will this affect next year's allocation? This level of activity suggests we could put more resources towards affordable housing programs.

Low-Income Housing Trust Fund
What are the implications of the $273,742 decrease in dollars for the Rental Subsidy program and another loss of units assisted in the Fourth quarter? Does the reduction correspond to a reduction in units assisted throughout the Trust Fund?

Multi-Family Developments

This past quarter indicated the level of commitment from DOH in the preservation of expiring affordable rental units in Chicago. Preservation projects include low-income senior housing in the South side, multi-family units in the North side, and a single-room occupancy building on the Near West side. These projects highlight the need for maintaining housing affordability for diverse populations in changing neighborhoods throughout the city.

In the following projects, the role of TIF resources in preservation is clear. It would be prudent to make an assessment of the impact of TIFs in the creation of housing. We encourage the continued and increased use of TIFs for affordable housing.

Preservation Projects Receiving TIF Assistance

Paul G. Stewart Apartments
- Rehabilitation of 420 units of low-income senior housing in the Grand Boulevard neighborhood at a cost of $131,155 per unit.
- Receiving HUD FHA mortgage (Prairie Mortgage), Tax Credits, and TIF.

Uptown Preservation Apartments

- Rehabilitation of 77 units at a cost of $220,485 per unit.
- Receiving TIF funds from the Wilson Yard TIF district.

Preservation of Expiring LIHTC Project

Wicker Park Renaissance SRO

- Rehabilitation of expiring LIHTC units
- Currently a 112-unit SRO but rehab will reduce to 61 larger units that will include private baths and kitchen
- Studio rents range from $480-$744. Convertible One-bedroom is $784.

The Wicker Park Renaissance SRO illustrates the intricacies involved in the preservation of affordable housing. While we are pleased that these Tax Credit studio units, located near public transportation and other amenities, will be upgraded and will remain in the Wicker Park neighborhood, the rehabilitation of this building also constitutes a loss of rental stock. What is the rationale for the reduction of density in this building? Will the reduced density increase the rents?

New Construction

The following are summaries of new construction projects approved by DOH in the Fourth quarter. The average per unit cost for these projects is $285,791. Increasing development costs is an issue of concern and is a detriment to the creation of affordable housing. We will continue to track this trend in upcoming analyses.

Sankofa House, Coppin House, and Clara's Village received 27 city parcels for $1.The cost per unit is as follows:

- **Sankofa**: $270,356
- **Coppin**: $288,137
- **Clara's Village**: $308,655

This project, to be developed by the Interfaith housing Development Corporation of Chicago, appears to be the most interactive and collaborative project to come through DOH to date. The projects encompass three wards in three neighborhoods require cross-departmental coordination, and intergovernmental cooperation between the city and the state. The projects will serve the unique needs of young adults transitioning out of the state's foster care system and and grandfamilies and as such, will include family-friendly units with 3- or more bedroom. The project will also receive rental subsidies from the Illinois Department of Children and Family Services.

The **Parkside of Old Town/ Cabrini Rental Phase I** will have 111 rental units: 35 CHA, 48 affordable and 28 market rate units. The project reports a per unit cost of $323,414—again, an extraordinarily high number and a jump from the previous Phase's per unit cost of $307,617 reported last quarter.

Another CHA redevelopment project, **Roosevelt Square Phase II,** reports a per unit cost of $283,817. This project will have 185 rental units: 128 CHA, 55 affordable and 2 market rate units. There is a difference of about $40,000 in the per unit costs between this project and Parkside. We also notice that Roosevelt Square only has 2 market rate units while Parkside will have 28. Does the distribution of the CHA, affordable, and market rate units have any bearing on the cost of development?

Finally, it is also noted that the interest rate for **North and Talman Senior Apartments' first** mortgage and Fannie Mae loan is approaching 9%--a trend that should be watched. This new construction in West Town reports a per unit cost of $296,854.

Conclusion

Census data has shown that the rate of mobility among the residents of Chicago has increased in the last 5 years. Additionally, Chicago has lost 71,000 renter-occupied units during this time—a decrease of 12% compared to a decrease of just -.5% between 1990 and 2000. Income levels have remained stagnant while housing prices dramatically increased making affordable housing out of reach to many. Housing cost burden, especially for homeowners, has also risen as incomes are not able catch up to housing prices. These are the reasons why the city of Chicago must be committed to providing a diversity of housing options for its residents and to make affordable housing a priority in both policy and practice.

The Department of Housing should be recognized for their efforts in the last year not only in their scope of work but also for their transparency in their reporting process for which we have commended time and again. The Chicago Rehab Network will continue to advocate for better government practices that allow such a dialogue to take place.